

**CITY OF TRAVERSE CITY AND CHARTER
TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

Traverse City, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**

**CITY OF TRAVERSE CITY
AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
The City of Traverse City and Charter Township
of Garfield Recreational Authority
Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Traverse City and Charter Township of Garfield Recreational Authority as of and for the year ended June 30, 2008, which collective comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City of Traverse City and Charter Township of Garfield Recreational Authority as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund budgetary schedules for the capital project and debt service funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in the relation to the basic financial statements taken as a whole.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 9, 2008

CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD RECREATIONAL AUTHORITY

Management's Discussion and Analysis

As management of the City of Traverse City and Charter Township of Garfield Recreational Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$938,342. Of this amount \$241,203 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Authority's net assets increased by \$240,327.
- This is the fourth year of the Authority's operations. In the initial year of operations by approval of the citizens of the City of Traverse City and Charter Township of Garfield a millage was issued which allowed the Authority to issue a bond in the amount of \$6,650,000. Approximately seven percent or \$493,000 of bond proceeds are not yet expended as of fiscal year end June 30, 2008. These proceeds are held for additional property purchase at Hickory Meadows and infrastructure work at the Grand Traverse Common Barns.
- During the year, the Authority incurred professional expenses for two projects. These projects are consulting services relating to the Grand Traverse Common Barns property use and for public input process on the Franke Road extension. Total payments incurred to date is approximately \$9,000 with a contracted balance left in the approximate amount of \$49,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise three components: 1) government-wide statements 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Statements

The *government wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, amortization expense associated with other assets).

Both of the government wide financial statements distinguish the function of the Authority, which is principally supported by property taxes (*governmental activities*). The governmental activities of the Authority include the acquisition, construction, operation, maintenance, or improvement of public recreation centers, and public parks as may be acquired by the Authority or as may be transferred to it by a participating municipality.

The government-wide financial statements include only the Authority itself (known as the *primary government*). The Authority has no legally separate component units for which the Authority is financially accountable.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Authority is accounted for in governmental funds (General, Debt Service and Capital Project Funds).

Governmental funds. *Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and capital projects fund. All are considered major funds.

The Authority adopts an annual appropriated budget for its funds. A budgetary comparison statement or schedules have been provided herein to demonstrate compliance with that budget.

The governmental fund financial statements can be found on pages 10 through 14 of this report.

The Authority does not maintain proprietary or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 15 through 20 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The Authority's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$938,000 or a 34% increase over prior year at the close of the fiscal year, June 30, 2008.

Investment in capital assets net of related debt of \$256,723 is the cost of the assets purchased and the remaining balance to be spent on capital projects, less depreciation, less the long term debt outstanding used to finance the acquisition. The debt will be repaid from voter approved property taxes collected as the debt and interest payments come due. Restricted net assets of approximately \$440,000 are shown separately to recognize legal constraints from debt covenants.

City of Traverse City and Charter Township of Garfield Recreational Authority

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Governmental Activities		
Current and other assets	\$ 1,297,262	\$1,182,916
Capital assets	<u>6,072,591</u>	<u>6,072,245</u>
Total assets	7,369,853	7,255,161
Accrued expenses	66,511	92,146
Long-term liabilities outstanding	<u>6,365,000</u>	<u>6,465,000</u>
Total liabilities	6,431,511	6,557,146
Net assets		
Investment in capital assets, net of related debt	256,723	163,770
Restricted		
Debt service	282,352	235,132
Capital project	158,064	139,828
Unrestricted	<u>241,203</u>	<u>159,285</u>
Total net assets	<u>\$ 938,342</u>	<u>\$ 698,015</u>

City of Traverse City and Charter Township of Garfield Recreational Authority

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Governmental Activities		
Revenue		
Program revenue		
Charges for services	\$ 78	\$ 12
General revenue		
Property taxes	540,878	511,471
Interest earned	<u>26,932</u>	<u>45,147</u>
Total revenue	<u>567,888</u>	<u>556,630</u>
Expenses		
Recreation and culture	73,891	104,541
Interest expense and paying agent fees	<u>253,670</u>	<u>256,059</u>
Total expenses	<u>327,561</u>	<u>360,600</u>
 Increase in net assets	 240,327	 196,030
Net assets – beginning of year	<u>698,015</u>	<u>501,985</u>
 Net assets – end of year	 <u><u>\$ 938,342</u></u>	 <u><u>\$ 689,015</u></u>

Governmental activities

Revenues by Source

Because the Authority receives the bulk of its revenue from property taxes of approximately \$541,000, it held a strong cash position though out the year and it was able to cover its operation cost throughout the year. Remaining revenue of approximately \$27,000 consists of investment income.

The revenue resources are constrained for the operation, maintenance and capital needs of the Authority and may not be utilized for other purposes as defined by the resource documentation.

Expenses

In 2008, total expenses approximated \$328,000. The bulk of the expenses were related to interest on bond obligations.

Financial Analysis of the Authority's Fund

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Authority's *General Fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Authority. At the end of the fiscal year, the total fund balance was \$241,103, which was unreserved and undesignated. The fund balance was higher than expected because actual expenditures were less than the anticipated expenditures.

During the year, Capital Project Fund expenditures were less than expected by approximately \$286,000. This was primarily attributed to budgeted capital expenditures relating to two capital projects not complete at fiscal year end. The capital projects are the water and wastewater main installation at the Grand Traverse Common Barns in the amount of \$258,000 and the Franke Road extension in the amount of \$10,000.

General Fund Budgetary Highlights

During the year, General Fund expenditures were less than budgetary estimates by approximately \$15,000. This was primarily attributed to less than anticipated expenditures in capital outlay.

Capital Asset and Debt Administration

Capital assets are primarily comprised of land and Grand Traverse Common Barns renovation costs, which amount to \$6,072,591 (net of accumulated depreciation). Additional information on the Authority's capital assets can be found in Note 3 beginning on page 18 of this report.

City of Traverse City and Charter Township of Garfield Recreational Authority Capital Assets (net of depreciation)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 5,567,462	\$ 5,567,462
Buildings	482,229	487,783
Construction in progress	<u>22,900</u>	<u>19,000</u>
Total	<u>\$ 6,072,591</u>	<u>\$ 6,072,245</u>

Long-term debt consisted of a bond obligation for the purchase of various parcels of land; as of fiscal year end there was an outstanding balance of \$6,365,000, reduced this year by the principal payment due in the amount of \$100,000. Additional information can be found in Note 4 on page 19 of this report.

Economic Factors and Next Year's Budgets and Rates

The next year continues the strong fiscal position of the Authority. Property tax rates will remain the same as last year, .0994 for the general operating millage and .26 for the debt service millage. The remaining fund balance in the Capital Project Fund will be used for following projects at the Grand Traverse Common Barns property and the purchase of the Wilson property in the amount of \$310,000. The Grand Traverse Commons Barns property projects include water and wastewater main installation and Franke Road construction.

Requests for Information

This financial report is designed to provide a general overview of Authority finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Benjamin Marentette, City of Traverse City and Charter Township of Garfield Recreational Authority, 400 Boardman Avenue, Traverse City, MI 49684.

FINANCIAL STATEMENTS

CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD RECREATIONAL AUTHORITY

Statement of Net Assets June 30, 2008

	Governmental Activities
Assets	
Cash	\$ 1,241,600
Unamortized bond costs	43,592
Unamortized bond discount	12,070
Land	5,567,462
Capital assets, net of accumulated depreciation	482,229
Construction in progress	22,900
Total assets	<u>7,369,853</u>
Liabilities	
Accounts payable	3,931
Accrued interest payable	62,580
Non-current liabilities	
Due within one year	120,000
Due in more than one year	6,245,000
Total liabilities	<u>6,431,511</u>
Net Assets	
Investment in capital assets, net of related debt	256,723
Restricted	
Debt service	282,352
Capital project	158,064
Unrestricted	241,203
Total net assets	<u>\$ 938,342</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD RECREATIONAL AUTHORITY

Statement of Activities For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Net (Expense) Revenue</u>
Culture and recreation	\$ 73,891	\$ 78	\$ (73,813)
Interest on long-term debt and paying agent fees	253,670	-	(253,670)
	<u>\$ 327,561</u>	<u>\$ 78</u>	<u>(327,483)</u>
General revenues			
Property taxes			540,878
Unrestricted investment earnings			<u>26,932</u>
Total general revenues			<u>567,810</u>
Change in net assets			240,327
Net assets, beginning of year			<u>698,015</u>
Net assets, end of year			<u>\$ 938,342</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

**Balance Sheet
Governmental Funds
June 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Bond Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	<u>\$ 241,134</u>	<u>\$ 344,932</u>	<u>\$ 655,534</u>	<u>\$ 1,241,600</u>
Liabilities				
Accounts payable	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 3,900</u>	<u>\$ 3,931</u>
Fund balances				
Reserved for				
Debt service	-	344,932	-	344,932
Capital projects	-	-	651,634	651,634
Unreserved and undesignated	<u>241,103</u>	<u>-</u>	<u>-</u>	<u>241,103</u>
Total fund balances	<u>241,103</u>	<u>344,932</u>	<u>651,634</u>	<u>1,237,669</u>
Total liabilities and fund balances	<u>\$ 241,134</u>	<u>\$ 344,932</u>	<u>\$ 655,534</u>	<u>\$ 1,241,600</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to
Net Assets of Governmental Activities on the Statement of Net Assets
June 30, 2008**

Fund balances - total governmental funds	\$ 1,237,669
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Amounts reported for governmental activities in the statement of net assets
are different because

Capital assets used in governmental activities are not financial resources, and therefore
not reported in the funds.

Add: land	5,567,462
Add: capital assets	512,570
Add: construction in progress	22,900
Deduct: accumulated depreciation	(30,341)
Add: unamortized assets	67,813
Deduct: accumulated amortization	(12,151)

Certain liabilities, such as bonds payable, are not due and payable in the current period
and therefore are not reported in the funds.

Deduct: bonds payable	(6,365,000)
Deduct: accrued interest on non-current liabilities	(62,580)

Net assets of governmental activities	<u>\$ 938,342</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD RECREATIONAL AUTHORITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Bond Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 145,303	\$ 395,575	\$ -	\$ 540,878
Reimbursements	78	-	-	78
Interest	3,381	5,315	18,236	26,932
Total revenues	<u>148,762</u>	<u>400,890</u>	<u>18,236</u>	<u>567,888</u>
Expenditures				
Current				
Office supplies	463	-	-	463
Professional services	48,804	-	3,902	52,706
Printing	442	-	-	442
Utilities	2,477	-	-	2,477
Insurance and bonds	2,660	-	-	2,660
Capital outlay	12,098	-	-	12,098
Debt service				
Principal	-	100,000	-	100,000
Interest and fiscal charges	-	254,424	-	254,424
Total expenditures	<u>66,944</u>	<u>354,424</u>	<u>3,902</u>	<u>425,270</u>
Net change in fund balances	81,818	46,466	14,334	142,618
Fund balances, beginning of year	159,285	298,466	637,300	1,095,051
Fund balances, end of year	<u>\$ 241,103</u>	<u>\$ 344,932</u>	<u>\$ 651,634</u>	<u>\$ 1,237,669</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008**

Net change in fund balances	\$ 142,618
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Amounts reported for governmental activities in the statement of activities
are different because

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their useful lives.

Add: capital outlay	13,293
Deduct: depreciation expense	(12,947)

Governmental funds report bond related costs as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their useful lives and
reported as amortization expense.

Deduct: bond issuance costs amortization	(2,654)
Deduct: bond discount amortization	(737)

Under the modified accrual basis of accounting used in the governmental funds, expenditures
are not recognized for transactions that are normally paid with expendable and available
resources. In the statement of activities, however, which is presented on the accrual basis
of accounting , expenses and liabilities are recorded regardless when financial resources are
available. In addition, interest on long-term debt is not recognized under the modified accrual
basis until due, rather than as it accrues.

Add: decrease in accrued interest on bonds	754
Add: principal payments	<u>100,000</u>

Change in net assets of governmental funds	<u>\$ 240,327</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD RECREATIONAL AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual General Fund

For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 156,000	\$ 156,000	\$ 145,303	\$ (10,697)
Interest	3,500	3,500	3,381	(119)
Reimbursements	-	-	78	78
Total revenues	159,500	159,500	148,762	(10,738)
Expenditures				
Office supplies	250	250	463	213
Professional services	49,050	49,050	48,804	(246)
Printing	1,000	1,000	442	(558)
Utilities	7,000	7,000	2,477	(4,523)
Insurance and bonds	4,000	4,000	2,660	(1,340)
Capital outlay	20,300	20,300	12,098	(8,202)
Total expenditures	81,600	81,600	66,944	(14,656)
Net change in fund balance	77,900	77,900	81,818	3,918
Fund balance, beginning of year	159,285	159,285	159,285	-
Fund balance, end of year	\$ 237,185	\$ 237,185	\$ 241,103	\$ 3,918

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY AND
CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of Traverse City and Charter Township of Garfield Recreational Authority (the "Authority") is incorporated for the purpose of the acquisition, construction, operation, maintenance, or improvement of public recreation centers, public parks, and public conference centers as may be acquired by the Authority or as may be transferred to it by a participating municipality. The Authority may donate, sell, lease or transfer any such facilities so acquired, only after the participating municipalities have given authorization.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. There were no grants and contributions in the current fiscal year.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the years for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes and

**CITY OF TRAVERSE CITY AND
CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

Notes to Financial Statements

interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

The *Capital Project Fund* is used to account for bond proceeds to be used for the acquisition or construction of major capital facilities or equipment.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported on the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land Improvements	10
Equipment	10
Buildings	40
Infrastructure	40

**CITY OF TRAVERSE CITY AND
CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

Notes to Financial Statements

Long-term obligations – In the government-wide financial statements long-term debt is reported as liabilities in the governmental activities statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond discounts and issuance costs are reported as other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, net of discount, is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Budgetary Information – The General Fund, Debt Service Fund and Construction Bond Fund are under formal budgetary control and their budgets are prepared on the same modified accrual basis used to reflect actual results. The Authority follows the process below in establishing the budgetary data reflected in the financial statements:

- The management team prepares and submits a proposed budget to the Authority's Board of Directors for review and consideration. The Authority submits the proposed budget to the participating municipalities for review and comment at their respective public meetings. Public hearings are held to obtain taxpayer comments by the Authority. The process is completed and the budget is legally adopted through the Board of Directors resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the Board of Directors during the year.

For the year ended June 30, 2008, the Debt Service fund exceeded appropriations by \$124. This over expenditure was funded by greater than anticipated revenues.

2. CASH

Michigan Compiled Laws, Section 129.91 authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as

**CITY OF TRAVERSE CITY AND
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RECREATIONAL AUTHORITY**

Notes to Financial Statements

investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority's investment policy is the same as that authorized by state law.

The Authority's cash is comprised of bank deposits held with a financial institution with a bank balance of \$1,247,400 at June 30, 2008.

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$1,247,400. Of that amount, \$100,000 was covered by federal depository insurance and the remainder of \$1,147,400 was uninsured and uncollateralized.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Construction in progress	\$ 19,000	\$ 3,900	\$ -	\$ 22,900
Land	<u>5,567,462</u>	<u>-</u>	<u>-</u>	<u>5,567,462</u>
Total capital assets not being depreciated	<u>5,586,462</u>	<u>3,900</u>	<u>-</u>	<u>5,590,362</u>
Capital assets being depreciated				
Land improvements	-	1,181	-	1,181
Equipment	-	1,780	-	1,780
Buildings	503,177	2,625	-	505,802
Infrastructure	<u>-</u>	<u>3,807</u>	<u>-</u>	<u>3,807</u>
Total capital assets being depreciated	<u>503,177</u>	<u>9,393</u>	<u>-</u>	<u>512,570</u>
Less accumulated depreciation for				
Land improvements	-	118	-	118
Equipment	-	178	-	178
Buildings	17,394	12,556	-	29,950
Infrastructure	<u>-</u>	<u>95</u>	<u>-</u>	<u>95</u>
Total accumulated depreciation	<u>17,394</u>	<u>12,947</u>	<u>-</u>	<u>30,341</u>

**CITY OF TRAVERSE CITY AND
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Notes to Financial Statements

Total capital assets being depreciated, net	\$ <u>485,783</u>	\$ <u>(3,554)</u>	\$ <u>-</u>	\$ <u>482,229</u>
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Governmental activities capital assets, net	\$ <u>6,072,245</u>	\$ <u>346</u>	\$ <u>-</u>	\$ <u>6,072,591</u>
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Depreciation expense in the amount of \$12,947 was charged to the culture and recreation function.

4. NON-CURRENT LIABILITIES

The following is a summary of changes in non-current liabilities of the Authority for the year ended June 30, 2008:

	<u>Balance 07/01/07</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>	<u>Due Within One Year</u>
2004 general obligation recreation bond, interest rates ranging from 2.75% - 4.45%, matures 2025.	\$ <u>6,465,000</u>	\$ <u>(100,000)</u>	\$ <u>6,365,000</u>	\$ <u>120,000</u>

The annual requirements to pay the debt principal and interest outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 120,000	\$ 251,005
2010	150,000	247,105
2011	160,000	242,255
2012	185,000	236,649
2013	210,000	229,968
2014-18	1,535,000	1,003,381
2019-23	2,580,000	606,509
2024-25	<u>1,425,000</u>	<u>64,688</u>
	<u>\$ 6,365,000</u>	<u>\$ 2,881,560</u>

5. PROPERTY TAXES

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City and Garfield Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 15; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Grand Traverse

**CITY OF TRAVERSE CITY AND
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County. Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50 percent of current market value. Real and personal property of the Authority for the 2007 levy were assessed and equalized at \$1,557,807,816, representing 50 percent of estimated current market value. The Authority's debt and general operating tax rate for fiscal year 2007-08 was 0.26 and .0994 mills, respectively.

6. RELATED PARTY TRANSACTIONS

The City of Traverse City (the "City"), a related party (by virtue of common board members and management), provides management services on behalf of the Authority. These services include maintaining financial records and reporting. In return for these services, the City received fees from the Authority in the amount of \$17,000 during the year ended June 30, 2008.

7. RISK MANAGEMENT

The Authority participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, bond, and crime. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Debt Service Fund**

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues				
Property taxes	\$ 410,000	\$ 410,000	\$ 395,575	\$ (14,425)
Interest	4,500	4,500	5,315	815
Total revenues	<u>414,500</u>	<u>414,500</u>	<u>400,890</u>	<u>(13,610)</u>
Expenditures				
Debt service				
Principal	100,000	100,000	100,000	-
Interest and fiscal charges	254,300	254,300	254,424	124
Total expenditures	<u>354,300</u>	<u>354,300</u>	<u>354,424</u>	<u>124</u>
Net change in fund balance	60,200	60,200	46,466	(13,734)
Fund balance, beginning of year	298,466	298,466	298,466	-
Fund balance, end of year	<u>\$ 358,666</u>	<u>\$ 358,666</u>	<u>\$ 344,932</u>	<u>\$ (13,734)</u>

**CITY OF TRAVERSE CITY AND CHARTER TOWNSHIP OF GARFIELD
RECREATIONAL AUTHORITY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Capital Project Fund**

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues				
Interest	\$ 20,000	\$ 20,000	\$ 18,236	\$ (1,764)
Expenditures				
Office supplies	50	50	-	(50)
Professional services	21,300	21,300	3,902	(17,398)
Capital outlay	268,200	268,200	-	(268,200)
Total expenditures	<u>289,550</u>	<u>289,550</u>	<u>3,902</u>	<u>(285,648)</u>
Net change in fund balance	(269,550)	(269,550)	14,334	283,884
Fund balance, beginning of year	<u>637,300</u>	<u>637,300</u>	<u>637,300</u>	<u>-</u>
Fund balance, end of year	<u>\$ 367,750</u>	<u>\$ 367,750</u>	<u>\$ 651,634</u>	<u>\$ 283,884</u>